Toward Political Economic and Euro Governance? Assessing the Political Performance of Moscovici and Dombrovskis

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The Juncker Commission began its mandate in the aftermath of a deep crisis affecting the Euro-zone and with other quite relevant threats looming on the horizon (external security among others). It is not surprising that the expectations for its mandate were extremely high. Moreover, the *Spitzenkandidaten* experiment and the following appointment strongly pushed by the European Parliament had given a veneer of political legitimacy to its programme. In brief, the new Commission was able to portray itself as more political and, in this way, seemed to have gained more autonomy *vis-à-vis* the Council. This political capital was supposed to trigger the capacity of the Commission to shape the agenda and, crucially, to open up economic and monetary policies – politically highly salient topics in light of their redistributive consequences – to political accountability.

Accordingly, the agenda presented by Juncker as the 'political programme' of the Commission for the 2014-2019 term included many key points revolving around four economic concerns: economic recovery from the crisis (economic policies), adjustment of structural deficits affecting the governance of the common currency (monetary governance), stabilisation of Member States' debts (directly linked to financial stability) and a renewed attention for social policies in order to address some of the negative effects of the economic and financial crisis. Hence, the positions occupied by the appointed commissioner Pierre Moscovici (Economic Affairs, Taxation and Customs Union) and Valis Dombrovskis (Euro and Social Dialogue; Financial Stability, Financial Services and Capital Markets Union) were key for the implementation of what looked like quite an ambitious agenda.

Moscovici and the Virtuous Triangle

In terms of economic policies, the main efforts have been directed at achieving – according to the words of the Commission itself – 'the virtuous triangle', that is, attracting investment, bringing about structural reforms and nudging responsible fiscal policies. The European Semester is supposed to be the place where policy coordination is realised with a view to attaining those objectives. Moscovici has played a mediating role in leading the supervision of the European Semester. We can already observe the qualities and the limits of the more ‘political Commission’ in the functioning of the European Semester. A few cycles of the Semester have shown that the Commissioner can introduce elements of political dialogue between the Commission and the Member States, for example by tailoring country-specific recommendations on the basis of negotiations and mutual agreement with the relevant authorities, to the point of irritating pro-austerity Ministers of Finance like Schäuble. In particular, Moscovici has shown that the determination of recommendations is not an automatic process, but can be slowly adapted to new circumstances. Since 2014, for example, recommendations have started containing references to poverty and social inclusion.[1)] J. Zeitlin, and B. Vanhercke, ‘Economic Governance in Europe 2020: Socialising the European Semester against the Odds?’, in D. Natali and B. Vanhercke (eds.), *Social Policy in the European Union: State of Play 2015* , 2016, pp. 69-70. However, as could be expected, the Commissioner does not have enough political capital and power to change the main objectives of the Semester and in particular its pro-austerity bias. This leaves the possibility of politicising the goals of the Semester very limited. Another limited role for the Commissioner can be seen in his participation as an observant to the Euro-group. Given the strategic importance of the latter (for a constitutional analysis see Paul Craig here), it is regrettable that a more political Commission does not have many margins for intervening in the decision-making process of the Group. The limitation of the Commission’s role became quite evident during the tragic Greek crisis of July 2015, with journalists reporting about the mediating role played by Moscovici. Once again, even in that dramatic turning point of the Euro-crisis, the Commission did not seem to have enough strength to impose a different trajectory to the political agenda and remained subaltern to the European Central Bank and the Council. More political freedom can be observed, at least in terms of initiative, in the field of taxation, with the renewal of the proposal for a Common Corporate Tax Basis (CCTB), now waiting for the approval of the Council, and in the important recently introduced package for a ‘Fair Taxation of the digital economy’. Both provisions timely address urgent problems whose solution is critical for sustaining the internal market. It is interesting to note that in the second case (taxation of digital economy), the Commissioner plays a more active role despite the powerful actor targeted by the package.

Dombrovskis' Ambitious Plans

Dombrovskis’ main efforts have been dedicated to at least three important interventions, all functional to the strengthening of the currency union and the internal market. The first one is represented by the Capital Markets Union. This was originally in the portfolio of the Commissioner for financial stability, Lord Hill, but after Brexit and his resignation, the competence was given to Dombrovskis. The Capital Markets Union is not only a project for pleasing interests that were strongly supported by the UK, but it is rationally inscribed in the plan of the Commission to attract investments without violating the golden rules of the Euro economic governance. The exit of the UK does not seem to have undermined the project, but given that it is an extremely ambitious plan, Dombrovskis probably won't see its completion before the end of his mandate.

A second critical staple is represented by the Banking Union, whose main aim is to stabilise the banking system (or, at least, large sections) and, accordingly, to consolidate financial stability across the internal market by sharing risks. Again, two of the three main components of the Banking Union had already been introduced and approved, but the third one, the European Deposit Insurance Scheme (EDIS), has been put forward but not yet enacted. At this stage, the Commission has recognised the difficulties of approving this pillar of the Banking Union and has agreed to make the pacing of the approval more gradual compared with the original proposal of November 2015. Moreover, Dombrovskis has pushed for the introduction of a series of modifications to the second pillar of the Banking Union (the Single Supervisory Mechanism), but these have not yet been approved. It is unlikely that the Banking Union will be completed before the next EP elections.

Finally, another contribution provided partially by Dombrovskis (under the impulse of Juncker and together with Commissioner Marianne Thyssen), addressing the new conditions and needs of contemporary labour markets, is the European Pillar of Social Rights. This instrument of soft law contains principles and rights categorised in three chapters: equal opportunities, and access to the labour market, fair working conditions, social protection and inclusion. The most promising use of the Pillar is its embedding in the European Semester, in the Country Specific Recommendations.[2)]S. Garben, 'The European Pillar of Social Rights: Effectively Addressing Displacement', in *European Constitutional Law Review*, 2018, pp. 215-218. But, as it has been noted, it is difficult to imagine that the Pillar will be sufficiently autonomous from market rationality. To the contrary, the risk is that, rather than being socialised, it will be co-opted by the logic of the Semester as a market instrument to the detriment of social objectives.[3)]See the remarks by M. Dawson, 'New Governance and the Displacement of Social Europe', in *European Constitutional Law Review*, 2018, p. 207.

Lessons to be Learned

In conclusion, two important lessons can be learned from the political performance of both Commissioners. Overall, and despite the legitimacy input coming from the EP elections, the impetus for many initiatives did not come directly from the Commissioners (and at times not even from the Commission itself). These Commissioners have actually some leverage when it comes to provisions and reforms concerning circulation of capital, competition enhancement, and market integration, that is, issues whose management was originally attributed to the Commission and they can be addressed from within the current material and normative context of the Euro-governance. Things look less exciting for what concerns the stabilisation of the common currency and its impact on social and financial aspects. The Commissioners have achieved very little in these areas and they seem to be following inputs coming from other institutions, in particular the European Central Bank, which remains the real game in town for these issues. This deserves further reflection, and this is the second lesson. With a mandate that is formally limited to price stability but that includes *de facto* financial stability as well (as confirmed by the roles taken up by the ECB in the new economic governance), and actually macro-economic supervision, the ECB is the leading institution for those issues. Its bridging function between financial markets and Member States and its monopoly on the legal tender of the common currency give the Frankfurt institution an impressive capacity to intervene in ordinary and extraordinary circumstances. For this reason, the politicisation of economic and financial policies should not focus on the Commission, but rather on the appointment of the new President of the ECB and the choice of conventional and unconventional policies by the Bank.[4)]For some suggestions, see P. Dietsch, F. Claveau, C. Fontan, *Do Central Banks Serve the People?*, Polity, 2018, pp. 100-116. Formally, the doctrine of central bank independence is protected by Art. 7 of Protocol 4 ('the ECB […] shall [not] seek or take instructions from Union institutions') and, accordingly, there is not much that can be done at this stage. But, according to Art. 11.2, the EP has to be consulted by the Council for the recommendation of the President of the ECB. It might therefore be fruitful to make this consultation a matter of political salience (and conflict) during the forthcoming campaign for the 2019 EP elections.

References

- 1. J. Zeitlin, and B. Vanhercke, 'Economic Governance in Europe 2020: Socialising the European Semester against the Odds?', in D. Natali and B. Vanhercke (eds.), Social Policy in the European Union: State of Play 2015 , 2016, pp. 69-70.
- 2. S. Garben, 'The European Pillar of Social Rights: Effectively Addressing Displacement', in European Constitutional Law Review, 2018, pp. 215-218.
- 3. See the remarks by M. Dawson, 'New Governance and the Displacement of Social Europe', in European Constitutional Law Review, 2018, p. 207.
- 4. For some suggestions, see P. Dietsch, F. Claveau, C. Fontan, Do Central Banks Serve the People?, Polity, 2018, pp. 100-116.
